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IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, A. D. 1941.

No. .....

ADDRESSOGRAPH-MULTIGRAPH CORPORATION,
a corporation,
Petitioner,

vs.

AMERICAN EXPANSION BOLT AND MANUFACTURING COMPANY, a corporation,
Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE CIRCUIT COURT OF APPEALS FOR THE SEVENTH CIRCUIT AND BRIEF IN SUPPORT THEREOF.

PETITION FOR WRIT OF CERTIORARI.

To the Honorable Chief Justice and Associate Justices of the Supreme Court of the United States:

Your petitioner, Addressograph-Multigraph Corporation, respectfully prays that a writ of certiorari be issued to review the decree of the United States Circuit

Court of Appeals for the Seventh Circuit, entered November 25, 1941 (R. 517), reversing the decree of the District Court of the United States, Northern District of Illinois, Eastern Division (R. 427).

A certified transcript of the record in the case, including the proceedings in the Circuit Court of Appeals, is furnished herewith in accordance with Rule 38 of the rules of this Court.

Summary Statement of the Matter Involved.

This is an action brought by petitioner against respondent to enjoin the respondent from continuing various acts constituting unfair trade practices, and for an accounting of profits and damages suffered by petitioner by reason of respondent's past acts of unfair trade.

The District Court (Igoe, J.) found that the respondent had committed all but two of the acts of unfair trade complained of in petitioner's complaint (R. 421-426), and, accordingly, granted the relief prayed for (R. 427). Respondent appealed to the Circuit Court of Appeals but petitioner took no cross appeal.

The respondent's practices which the District Court found constituted actionable unfair competition and libel were as follows:

1. Respondent misappropriated the petitioner's business system which petitioner had originated, built up, and was maintaining.

2. Respondent palmed off petitioner's products as products of its manufacture.

3. Respondent falsely claimed and advertised that it purchased its plate material from the same sources as did petitioner; that its plate material was made ac-

cording to the same specifications as was petitioner's plate material; that respondent's plates and petitioner's plates were submitted to the United States Bureau of Standards for comparative tests, from which tests respondent's plates emerged victorious.

4. Respondent consciously and knowingly made false, defamatory charges that petitioner was a monopoly and charged monopolistic prices, and that petitioner's agents had maliciously tampered with and sabotaged machines of customers who were using plates manufactured by respondent.

Decision of the Circuit Court.

The Circuit Court of Appeals, in reversing the District Court (R. 517), did not question the findings of fact as made by the District Court, but reversed the case entirely on the theory that the complaint did not state a cause of action under the substantive law of the state of Illinois, which, under the decision of *Erie Railroad Company* v. *Tompkins,* 304 U. S. 64, the Court believed was the controlling state (R. 511).

If the Court had followed the Illinois rule of conflict of laws it would have been forced to decide that Illinois was not the state whose substantive law determined if the complaint stated a cause of action. The Court avoided this conclusion by saying that the charge of misappropriation of petitioner's business system raised no conflict of laws question and that, as to the remaining acts of unfair competition and libel, there was "no occasion to apply the Illinois conflict of laws doctrine," not because there was not a conflict of laws issue raised, but because the Court considered such other acts "incidental" and "when the main charge fails those incidental thereto must fail" (R. 516-517).

A petition for rehearing was filed by petitioner (R. 519), which was denied by the Court of Appeals (R. 539).

Jurisdiction.

The decree of the Circuit Court of Appeals was entered November 25, 1941 (R. 517). Petition for rehearing was filed December 10, 1941 (R. 518), and was overruled January 14, 1942 (R. 539). Jurisdiction of this Court to issue the writ applied for is invoked under Section 240 (a) of the Judicial Code, as amended by the Act of February 13, 1925 (28 U. S. C. 347).

Questions Presented.

1. Whether the rule of the case of *Erie Railroad Company* v. *Tompkins*, 304 U. S. 64, applies to unfair competition actions where the respondent's tortious conduct commences in one state and results in injury to the petitioner in many other states?

2. If the rule of the *Erie* case does not apply, whether there was any error in the decree of the District Court?

3. If the rule of the *Erie* case does apply, whether the manufacture of respondent's products in Illinois, followed by shipment and sale thereof to customers in other states, thereby resulting in injury to petitioner in those states, does not require the Federal Court to apply the rule of conflict of laws of that state in which the Federal Court sits, to determine the state whose substantive law shall govern the rights of the parties?

4. If the rule of the *Erie* case does apply, whether misrepresentations in advertising and libelous utterances concerning the petitioner, both originating from

respondent in the state of Illinois, but published in other states, thereby resulting in injury to petitioner in the states of publication, does not require the Federal Court to apply the rule of conflict of laws of that state in which the Federal Court sits, to determine the state whose substantive law shall govern the rights of the parties?

5. If the rule of the *Erie* case does apply, whether a Federal Court may, without consideration of the local state law, create an independent rule that torts charged in the complaint, which are independent and distinct from another tort therein charged, are "incidental" and must be dismissed without consideration by the Court when the so-called "main" tort is dismissed?

6. Whether an action wherein the complaint was filed and the evidence was presented prior to the decision in the case of *Erie Railroad Company* v. *Tompkins,* 304 U. S. 64, should, in the event that the rule of the *Erie* case is held to be applicable thereto, be remanded to the District Court with instructions to permit petitioner to introduce further evidence to establish which state, or states, law shall govern the rights of the parties?

Reasons for Granting the Writ.

The discretionary power of this Court to grant a writ of certiorari is invoked upon the following reasons:

1. The Court of Appeals has decided that the rule of the case of *Erie Railroad Company* v. *Tompkins,* 304 U. S. 64, applies to actions of unfair competition where the act of the respondent in one state is consummated by injuries to the petitioner in many other states.

The tortious conduct complained of in such an action constitutes a series of successive and continuous acts, resulting in many injuries in many states. An application of the rule of the *Erie* case to such actions can only result in great confusion, arising from the necessity of the Court to apply the law of each state involved, and thereafter enter a decree which may well grant the petitioner relief in some of the states but not in others. This important question of the scope of the *Erie* case has not been, but should be, settled by this Court.

2. If the rule of the *Erie* case is not applicable to this case, then the decision of the Court of Appeals, dismissing this case, is contrary to decisions of this Court, particularly the case of *International News Service* v. *Associated Press*, 248 U. S. 215.

3. The decision of the Circuit Court of Appeals that the substantive law of Illinois determines whether petitioner's complaint stated a cause of action is in conflict with the rule of *Erie Railroad Company* v. *Tompkins*, 304 U. S. 64, because it has been established by the law of the state in which the Federal Court is sitting, namely, Illinois, that whether the complaints in cases such as this one state a cause of action is not to be determined by the substantive law of Illinois. See *Hanna* v. *Grand Trunk Railroad Company*, 41 Ill. App. 116. Thus the Court decided an important question of local law in a way that is in conflict with applicable local decisions.

WHEREFORE, it is respectfully submitted that the petition for writ of certiorari to the United States Circuit Court of Appeals for the Seventh Circuit should be granted.

ADDRESSOGRAPH-MULTIGRAPH CORPORATION,
By PHILIP M. AITKEN,
Counsel for Petitioner.

BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI.

I.

Opinions of the Courts Below.

The United States District Court for the Northern District of Illinois, Eastern Division, filed Findings of Fact and Conclusions of Law (R. 421-426). No opinion was reported.

The opinion of the Circuit Court of Appeals for the Seventh Circuit appears in the record at pages 511-517. It is reported in 124 F. (2d) 706.

II.

Jurisdiction.

See Petition for Writ of Certiorari (*supra*, page 4).

III.

Statement of the Case.

The following is a brief statement of the facts as found by the District Court, and not challenged by the Circuit Court of Appeals, which support the petitioner's charges of unfair competition.

1. The Misappropriation of Petitioner's Business System.

The petitioner was the originator and founder of a new and novel idea in the commercial field, namely, the addressing and writing of various data on many business forms in a mechanical manner (R. 68-70). The addressing system consisted of blank metal plates upon

which the information desired to be printed on the various business form is embossed, the machines for embossing the information on the blank plates, referred to herein a embossing machines, and the machines through which the embossed plates passed to transfer the information on the plates to the business form or letter, herein referred to as addressing machines (R. 73).

In order to sell this system the petitioner manufactured and sold the addressing machines and the embossing machines at a price yielding a low margin of profit, a profit which without more would not permit of successful operation by petitioner (R. 73).

The sale of these machines created a market for petitioner's metal plates, not only through the original purchase but for the continuous need therefor as a result of the expansion of the customers' use of the system and the natural increase in the business of the owners of the system (R. 76-77).

Without the business resulting from the sale of these metal plates petitioner would be unable to successfully carry on its business (R. 71-72). The petitioner, over a period of years, has expended large sums of money in advertising and in developing and maintaining extensive sales and service organizations available to the users of its system (R. 78, 82, 83, 86, 87).

The respondent makes no effort to compete by the establishment of a business system of its own, nor by manufacturing and selling competing addressing or embossing machines, but limits its competition solely to the sale of the metal plates used in petitioner's system. Through this method of competition the respondent avoids all expense of the establishment of the system, resulting from the manufacture and sale of the addressing and embossing machines and the expense

of the establishment and maintaining of sales and service organizations, and without expenditure of effort or money on its part, appropriates to its own use the business system and system of distribution built up by the petitioner after great expense, risk and years of painstaking efforts (R. 423).

2. Palming Off Petitioner's Products as Products of Its Own.

On several occasions respondent, after agreeing to sell its products to certain customers, filled said purchase orders with products manufactured by petitioner, without sufficient designation or notice to the customers of such fact (R. 391, 393, 253, 259, 424).

3. Publication by Respondent of Factual Statements Which Respondents Knew to Be False, and Publication by Respondent of Defamatory Utterances Concerning Petitioner, Which Respondent Knew to Be False.

These misrepresentations and defamatory statements were published to a mailing list of 11,000 names (R. 388) and through advertisements in magazines (P. Ex. 6, R. 449 and 79) of general circulation, and by personal letters written direct to owners of petitioner's business system (R. 194, 202, 206, 208, 213, 221).

Respondent stated that it purchased its plate material from the same sources as petitioner, which was untrue, since respondent purchased its plate material from at least three concerns with whom petitioner had never done any business (R. 423).

Respondent claimed its plate material was made according to the same specifications as was petitioner's plate material, which was untrue. Respondent admitted that it had no knowledge as to petitioner's specifications (R. 367), and made no claim that the manufacturers of its plate material, with whom petitioner had done no business, had any knowledge as to petitioner's specifications.

Respondent claimed its plates and petitioner's plates were submitted to the United States Bureau of Standards for comparative tests and that respondent's plates had emerged victorious from such tests (R. 458, 473). This claim was untrue and admitted to be so by respondent (R. 238), since it was shown that the United States Bureau of Standards had made no test whatsoever of either respondent's or petitioner's plates (R. 232).

Respondent charged petitioner was a monopoly and charged monopolistic prices, but offered no evidence in support of these charges, and the record shows that petitioner had substantial and large competitors in this field (R. 97, 111, 112).

Respondent charged petitioner's agents with maliciously tampering with and sabotage of machines of customers who were using plates manufactured by respondent (R. 202-221). Petitioner made full and complete denial of the truth of such charges and no competent testimony in support thereof was offered by respondent.

A more detailed statement of the facts may be found in the District Court's Finding of Fact (R. 421).

IV.

Specification of Errors.

The errors which petitioner will urge if the wirt of certiorari is issued are that the Court of Appeals for the Seventh Circuit erred:

1. In holding that the rule of *Erie Railroad Company* v. *Tompkins,* 304 U. S. 64, is applicable to this case.

2. In holding, contrary to the law of the state of Illinois, in which state the District Court was sitting, that there was no occasion to apply the Illinois law of conflict of laws.

3. In failing to affirm the District Court's decree.

4. In failing to remand the case with instructions that petitioner be permitted to offer further evidence to establish the facts from which it could be determined by what state or states law the controversy should be governed.

V.

Summary of Argument.

1. In actions for unfair competition where the respondent's acts originate in the state of its residence, but fan out, and are consummated in many other states through injury to petitioner in those other states, the rule of the *Erie* case should not be applied and the Federal Court should be left free to render its decision. Any other decision will result in the necessity of the Federal Court examining and applying the laws of each state where an injury was received by reason of the act of unfair competition as a necessary consequence of the application of the law of con-

flicts of laws of the state in which the Court is sitting. This not only imposes upon the Federal Court a most difficult and confusing burden, but will result in a decree which may enjoin the continuance of the respondent's act in some states but refuse to enjoin the same acts in other states.

2. The petitioner is entitled to relief from respondent's tortious acts, and the District Court properly granted such relief.

3. All of the acts complained of admittedly originated through respondent's conduct in Illinois, but the place where the injury therefrom was received by petitioner, or the places where the harm was caused to petitioner, were in states other than Illinois, where petitioner suffered a loss of sales, where respondent's products were used in petitioner's system and where respondent's false statements and libelous utterances were published. These, like other torts which commence in one state and are consummated in another, create a question of conflict of laws. The Illinois law of conflict of laws is that the controversy is governed by the law of the foreign state where the injury was received. The Circuit Court of Appeals was in error in concluding that the controversy was governed by the substantive laws of Illinois.

4. The various acts set forth in petitioner's complaint were all separate and independent of each other, and as such were entitled to separate consideration. The Circuit Court of Appeals, however, refused to give any consideration to the merits of those acts consisting of false factual statements and libelous false utterances, on the theory that those acts were "incidental" to the charge of misappropriation of petitioner's business system, which the Court characterized as the "main" charge. The Court having dismissed the so-called

"main" charge, held that the "incidental" charges must likewise be dismissed.

5. At the time petitioner made its record in this case the *Erie* case had not been decided and the matter of proving all of the states in which respondent had injured petitioner was not important, under the then existing precedents of the Federal common law upon which the District Court found for the petitioner. If the rule of the *Erie* case is to be applied to this case the matter now becomes of great importance—therefore, petitioner should be permitted to re-open the record before the District Court so as to establish as a fact the states wherein respondent's act resulted in injury to it, so that the applicable state or states law can be determined.

ARGUMENT.

I.

The Court Erred in Holding that this Case Was Governed by the Decision of Erie Railroad Company vs. Tompkins, 304 U. S. 64.

The tortious acts committed by the respondent in this case resulted in injuries to the petitioner throughout the United States and Canada, wherever the respondent wrongfully invaded petitioner's system, and circularized and published false and libelous charges. This tortious conduct of respondent was not limited to one injury and one place of wrong, but was a series of successive and continuous tortious acts, resulting in many injuries in the many states wherein petitioner's customers reside.

A similar problem was presented to a Federal District Court in the case of *Chase National Bank* v. *Mobile & Ohio Railroad Co.*, 30 F. Supp. 565 (1939).

In this case the plaintiff was claiming the right under a rule of Federal Court to a preferred claim against the assets of a corporation which was in receivership. It was contended that the plaintiff was not entitled to any such preference under the state law of the state where the court was sitting. The court, in granting the preferred claim, said (p. 568):

> "Under the *Erie R. Co.* v. *Tompkins,* if the law of the state in which the injury occurred is to be applied, how is this court going to do that for the Mobile & Ohio runs through five states. . . .
>
> "Remember that the *Erie* case was construing Section 34, and the last words of that section, after stating that the laws of the states shall be followed say: 'in cases where they apply.'
>
> "I do not think either Section 34 or what is said in *Erie R. Co.* v. *Tompkins* are applicable to the question to be decided by me, so I shall apply the six months rule as laid down by the courts."

In the case of *Illinois Central Railroad Co.* v. *Moore,* 112 F. (2d) 959, the Circuit Court of Appeals for the Fifth Circuit had before it the construction of a railroad union contract. Suit was started in Mississippi and the decision turned upon the construction of the state statute of limitations. The Court refused to follow the state decisions, saying (p. 963):

> "We are of opinion that the doctrine of *Erie* v. *Tompkins, supra,* applies only to local matters governed wholly by State law. A railroad union contract applying over a railroad system which operates in many states is not such. Its meaning and effect ought to be the same in each state."

While this case was reversed in the United States Supreme Court, 312 U. S. 630, it did not turn upon a denial of the above cited reasoning but rather upon a theory which existed long before the *Erie* case, the court saying (p. 634):

> "But even before the decision in *Erie R. Co.* v. *Tompkins,* 304 U. S. 64, the federal courts applied state statutes of limitations in accordance with the interpretations given to such statutes by the states' highest courts. . . . *It was error for the court below to depart from the Mississippi Supreme Court's interpretation of the state statute of limitations.*"*

The difficulties which will arise in unfair competition cases in the Federal Courts if the rule of the *Erie* case is attempted to be applied is pointed out in an article written by Zechariah Chafee Jr. in 53 *Harvard Law Review* 1289, wherein at page 1299 the author says:

> "Most unfair competition litigation takes place in the United States courts, because the parties are apt to be citizens of different states. Since no federal or state statute is usually applicable when the device is incapable of registration, the solution of such cases has been determined by judge-made law. Before the *Tompkins* case the United States judges were free to work out their own solutions in the light of cases in the United States Supreme Court and lower United States courts all over the country. They did not have to follow the decisions of a particular state court, but could apply a general federal law of Unfair Competition. So it made no difference in what particular state the plaintiff adopted his device or the defendant imitated it. Some very able federal judges developed doctrines in this field, notably Mr. Justice Holmes on the Supreme Court and Judge Learned Hand in the Second Circuit in New York City. Their decisions served as precedents for United States judges all over the country. Thus a great body of federal unfair competition law developed continuously and admirably.

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* Emphasis ours throughout this brief.

"This valuable body of law is now likely to be torn into pieces because of the *Tompkins* case, which overturned everything I have described and held that United States judges, in the absence of a pertinent federal or state statute, must take their private law from the decisions of the state courts of the particular state whose law governs the controversy. For example, Judge Learned Hand will henceforth have to draw his doctrines of Unfair Competition from the New York state courts, and his decisions will not be strong authority for another United States judge sitting in Ohio or California. Such a judge must, in his turn, look to Ohio or California state cases. Whatever the merits of the *Tompkins* case in other respects, it seems to me very damaging to the law of Unfair Competition. State litigation in this field is infrequent. Thus, the argument in favor of the result in the *Tompkins* case—that it leads to uniformity in the state and federal courts within a given state—is of slight efficacy when applied to Unfair Competition.

"Moreover, state doctrines have not been continuously developed. Some of the few state cases are decades old, decided before judges understood the problems. There is very little good reasoning on this subject in any single state, as compared with the extensive and admirable body of federal law now apparently doomed to destruction. Massachusetts is more fortunate than some other states, because of the excellent decisions of Mr. Justice Holmes while on the state bench; but some Massachusetts unfair competition cases decided by other state judges will be unhappy precedents for the federal courts in Boston. . . .

"This particularism is out of place in Unfair Competition. Waltham Watches and Baker Chocolate and Yellow Cabs do not stop at state lines, and piratical imitators are equally ubiquitous. In an era of nationwide businesses the Supreme

> Court has suddenly formulated an extreme doctrine of States' rights. So far as Unfair Competition is concerned, the *Tompkins* case makes the United States a legal checkerboard."

The burden of ascertaining the applicable law of each state wherein the act of unfair competition has resulted in an injury, and the confusion resulting from a decree which will enjoin the respondent in some of the states but not in others, makes it desirable that the decision in the *Erie* case be held to have no application in the field of unfair competition.

II.

The Decree of the District Court Should Be Affirmed.

The District Court found that the facts were substantially as alleged in petitioner's bill of complaint (R. 421). These findings of fact were not challenged in the opinion of the Circuit Court of Appeals. On the theory that the case was controlled by the *Erie* case, and on a misapplication of the *Erie* case, the Circuit Court of Appeals was of the opinion that the petitioner's complaint stated no cause of action. In the event this Court agrees with the argument of petitioner that this case should not be governed by the *Erie* case we submit that the decision of the District Court was correct in view of the law thereby made applicable thereto.

1. Misappropriation of Petitioner's Business System.

This is actionable under the decision of *International News Service* v. *Associated Press*, 248 U. S. 215. The principles of that case were affirmed in the later case of *Schecter* v. *United States*, 295 U. S. 495, wherein

Justice Hughes, speaking for the Court, said at page 531:

> "'Unfair competition' as known to the common law is a limited concept. Primarily, and strictly, it relates to the palming off of one's goods as those of a rival trader. *Goodyear Manufacturing Co.* v. *Goodyear Rubber Co.*, 128 U. S. 598, 604; *Howe Scale Co.* v. *Wyckoff Seamans & Benedict*, 198 U. S. 118, 140; *Hanover Milling Co.* v. *Metcalf*, 240 U. S. 403, 413. In recent years its scope has been extended. It has been held to apply to *misappropriation* as well as misrepresentation, to the selling of another's goods as one's own—to *misappropriation* of what equitably belongs to a competitor. *International News Service* v. *Associated Press*, 248 U. S. 215, 241, 242."

Similar relief was granted in the case of *Meyer* v. *Hurwitz*, 5 F. (2d) 370, appeal dismissed 10 F. (2d) 1019.

2. Misrepresentations Concerning Factual Statements, Made by Respondent, Which Respondent Knew to Be False.

The substance and extent of these false statements have heretofore been discussed under Statement of Facts in this brief. That the statements were false and that they were made has been decided by the District Court and not challenged by the Circuit Court of Appeals. The relief as sought by petitioner has been granted in similar cases. See *Motor Improvements, Inc.* v. *A. C. Spark Plug Co.*, 80 F. (2d) 385.

Respondent's Consciously False, Libelous Utterances Concerning Petitioner.

The substance and extent of these libelous utterances ave heretofore been discussed under the Statement of acts in this brief. That these statements were made respondent and were false and libelous has been ecided by the District Court and not challenged by e Circuit Court of Appeals. The charges, as made, ere libelous *per se* (see *Sternberg* v. *Miller*, 170 Fed. 08), and the relief sought by the petitioner in this tion has been granted in similar cases (see *Maytag o.* v. *Meadows Manufacturing Co.*, 45 F. (2d) 299).

III.

he Court Erred in Failing to Examine the Law of Conflict of Laws of Illinois, the State in Which the District Court Was Sitting, to Determine by the Law of What State the Controversy Should Be Determined.

The acts of unfair competition complained of all in-olved conduct of respondent in Illinois, followed by jury to petitioner in states other than Illinois. In e case of the misappropriation of petitioner's busi-ess system the respondent manufactured its products Illinois, which products were thereafter sold to per-ons in other states. When these products were used those persons in other states in petitioner's system e petitioner was injured at that time and place rough the misappropriation and invasion of its sys-m and the consequent loss of sales to that customer that state. In the case of misrepresentation and elous utterances the respondent originated the state-ents in Illinois but caused their publication in other

states. The publication in these states, other than Illinois, caused injury to petitioner in such states.

In all of the above instances the typical case of a tort originating in one state and causing injury in another is readily recognizable. This immediately creates a problem of the choice of law as between the states—a problem more commonly referred to as the law of conflict of laws. Assuming that the *Erie* case applies, then under the decision in *Klaxon* v. *Stentor*, 313 U. S. 487, the Federal Court is bound to find the law of conflict of laws of the state in which it is sitting for the purpose of deciding the law of what state or states shall determine if the complaint states a cause of action. The Court of Appeals made no such finding—if it had done so it would have found that the Illinois courts hold that the law of the state where the injury is received is controlling. See *Hanna* v. *Grand Trunk Railroad Co.*, 41 Ill. App. 116. Since the place that petitioner received its injury was in states other than Illinois the Court of Appeals clearly was in error in finding against petitioner on the theory that under the Illinois law the complaint stated no cause of action.

The Court of Appeals cites no authority for its conclusion that the acts complained of should be controlled by Illinois law, and the decision is clearly contrary to the Illinois law as evidenced by *Hanna* v. *Grand Trunk Railroad Co.*, 41 Ill. App. 116, hereinabove cited.

The error of the Court's reasoning is apparent from the opinion, which reads (R. 516):

> "The wrong, if such it be, was the sale in Illinois for the use indicated."

The Court is erroneously assuming that the state where the wrongdoer acts, without regard to where the injury is received, is the state whose law controls. In the

simple case of A standing in Illinois and throwing a brick into Indiana, striking B in that state, the "wrong," which is the act of A in throwing, occurs in Illinois, but, under the Illinois rule of conflicts of law, as above cited, and under the general law, it is the law of Indiana where B was injured that controls and not the law of Illinois, where the wrongdoer acted.

In addition to the Illinois case above cited we call attention to the following authorities:

Hunter v. *Derby Foods, Inc.*, 110 F. (2d) 970 (C. C. A. 2, 1940). In this case the defendant in New York purchased beef canned in South America, put its label on the product and sold it to retailers in Ohio. Plaintiff's intestate bought the beef in Ohio from the retailer and died from poisoning, claimed to have resulted from consumption of the beef. Here, as in the case at bar, the defendant's acts of labeling and selling were entirely in New York, that is to say, the sale was completed in New York "for the use indicated," while the plaintiff *received injury* outside of New York. In holding that the rights of the parties were controlled by the laws of the state of Ohio the Court said (pages 971-2):

> "the law of the place of wrong governs the right of action for wrongful death . . . It is the same with torts generally . . . Cases where the defendant's conduct occurs in one state, and the injury is done in another, bring in difficulties. See Cook, Tort Liability and Conflict of Laws, 35 Col. L. Rev. 202. In such cases the place of the wrong, the '*locus delicti*', is taken by courts in this country to be the state where the last event necessary to make the actor liable occurs. Restatement of Conflict of Laws, Section 377 and note; . . . In the present instance that place was in Ohio where the deceased ate the food, took sick, and died, and it

> is not necessary to go into finer distinctions between the place of injury and the place of death. *The fact that the defendant's conduct occurred in New York does not oust the law of Ohio.* It sent the food into Ohio where the harm was done. The case is like that of shooting a firearm across the state line, starting a fire which passes the line, or owning a vicious animal which strays over the line . . . By settled rules of conflict of laws, the defendant's liability is measured by the domestic law of Ohio to the same extent as if it had been present and had made the sale there. See *Sheer* v. *Rockne Motors Corporation,* 2 Cir., 68 F. (2d) 942, 944."

Goodrich in "Handbook of The Conflict of Laws" (1927), on page 191, explains the rule as follows:

> "Some difficulty may be encountered in determining the *locus delicti.* Suppose the defendant carelessly does an act in state A which results in harm to the plaintiff in state B. The law of B controls. The plaintiff does not sue the defendant for the latter's negligence, *but because the negligence has caused the plaintiff harm.* The tort is complete only when the *harm takes place,* and it is the law of the state *where this happens* that determines the existence of the plaintiff's claim."

We submit therefore that in this case the petitioner's injuries were received in states other than Illinois, where respondent acted. This creates a problem of conflict of laws. The Illinois law of conflict of laws requires the Court to look to the laws of the state where petitioner received its injuries, to determine the petitioner's substantive rights. This the Court failed to do, and therefore its decision is erroneous.

IV.

The Court of Appeals Erred in Classifying the Charged Acts of Unfair Competition as "Main" and "Incidental." The Misrepresentations in Advertising, the Libelous Utterances, and the Palming Off of Petitioner's Goods as Those of Respondent Were All Separate and Independent Torts and Are in Nowise "Incidental" to Any Other Tort Charged in the Complaint. A Decision by the Court that the Charge of Misappropriation of Petitioner's Business System Was Not Actionable Does Not Relieve the Court of the Duty of Considering the Other Independent Charges of Actionable Wrong Based on Entirely Different Sets of Facts Contained in the Complaint.

The Court has stated in its decision (R. 512-513):

> "Other charges were made against the defendant which we think may properly be termed ancillary or perhaps incidental to the main charge, as follows: (a) Distribution of inferior products to the injury of plaintiff's good will; (b) substitution of plaintiff's plates on orders for defendant's plates in certain instances without notice to customers; (c) misrepresentation as to the character and quality of defendant's plates; (d) improper acquisition of information concerning plaintiff's customers and business, and (e) libel, (1) assertions by the defendant that plaintiff was charging monopolistic prices, and (2) charges by the defendant that plaintiff's service men were guilty of sabotage in an effort to discredit the defendant."

(R. 516):

> "We have also pointed out heretofore that the other alleged offenses, such as libel and misrepresentations were merely incidental to the main charge."

The Court then decided that these separate causes were "incidental" to the "main" cause, and therefore "fell" with the "main" cause (R. 516).

At the outset it is observed that the determination of whether a cause of action is "main" or "incidental" is a determination bearing directly upon the *substance* of a cause of Action. Hence, this Court must, under the *Erie* rule, refer to the substantive law of the appropriate state.

On principal a classification of separate and independent torts into "main" and "Incidental" is patently wrong. Is it the law that if a plaitniff sues a defendant for successive assaults committed on Monday, Tuesday and Wednesday, if proof fails as to Monday's assault but proof is otherwise made as to the assaults on Tuesday and Wednesday, relief is denied as to the two proved torts of Tuesday and Wednesday on the theory that they are "incidental"? And, it may be asked, if such tort causes may be determined as sterile and non-actionable because merely "incidental" to Monday's tort as to which proof failed, what makes such causes "incidental"? Are they "incidental" because they arose later in time than Monday's,—or because they were pleaded secondly, as second and third counts,—or because they were argued with less fervor? Or, are Tuesday's and Wednesday's torts non-actionable as "incidental" to the "main cause" because they involve an allegation of fewer dollars of damage, or because they deal with the defendant using only his fists and not his feet as well, both being allegedly used in Monday's assault which failed for proof?

In the case at bar, as in any other case where a plaintiff sues for damages arising out of several separate

acts of invasion committed by the defendant, each act is a wrong for which the law gives relief. The so-called "incidental" torts occurred at different times and are based on entirely different facts than the so-called "main" tort—they are separate and independent torts and entitled to separate and independent consideration.

Not only did the Court in its decision fail to cite any State Court precedent or any Federal Court precedent to support its alleged rule of "main" and "incidental" classification, but it failed to consider *which* state law with reference to the adoption of the supposed "main" and "incidental" rule would be the appplicable and appropriate law under the *Erie* rule. (See *Klaxon* v. *Stentor,* 313 U. S. 487.)

We have already shown that under the Illinois law of conflict of laws, the controlling state law as to substantive matters is the state where the petitioner was injured—which in his case was not Illinois. In the outline of the subject of unfair competition in *Corpus Juris* (63 C. J. 303) there are listed eighteen classes of actionable causes of unfair competition, to say nothing of the many classes discussed under the heading "Miscellaneous Acts" (see 63 C. J. 465 *et seq.*). Each one of these will alone and without more be non-demurrable. Hence, each act is necessarily looked upon as a separate cause, to be treated as any other cause of separate and independent tort. Each is an unlawful invasion of property rights and damages are awardable. It is evident that the Circuit Court of Appeals is not relying on the law of any state in its characterizing separate acts of unfair competition as "main" and "incidental," and therefore its decision cannot stand.

V.

If the Rule in the Erie Case Applies the Court Erred in Failing to Remand the Case With Instructions that Petitioner Be Permitted to Offer Further Evidence to Establish by the Law of What State or States the Controversy Should Be Governed.

This action was instituted and the record made before the *Erie Railroad* case decision. Under the assumption that the case would be controlled by the "Federal rule" no effort was made to introduce evidence showing the states in which petitioner received injury. In view of the elimination of the "Federal rule" by the *Erie* case and if the decision of this Court is that the *Erie* case controls this case, it now becomes necessary to determine the applicable state law. Following the rule in the *Klaxon* case the applicable state law must be decided by the Illinois rule of conflicts of law. Since the Illinois rule is that the law of the state where the petitioner was injured is the controlling law, it now has become material to show the states where such injury was received. To permit this factual showing this Court should remand this cause to the District Court, as was done in *McGogney* v. *Mutual Life Ins. Co.*, 103 F. (2d) 649. See also *Ruhlin* v. *New York Life Ins. Co.*, 304 U. S. 202.

CONCLUSION.

The decision of the Circuit Court of Appeals is erroneous in that it held that this case was governed by the decision in the case of *Erie Railroad Company* v. *Tompkins,* 304 U. S. 64. If the *Erie* case does not control, the decree of the District Court was clearly correct. If, however, the *Erie* case is controlling, then the decision of the Circuit Court of Appeals is erroneous in that it failed to apply the proper law of Illinois, which was the state in which the District Court was sitting.

We respectfully submit that such a decision should be reviewed by this Court.

Respectfully submitted,

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(2)

Office - Supreme Court, U. S.
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IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1941.

No. 1136

ADDRESSOGRAPH-MULTIGRAPH CORPORATION, a Corporation,

Petitioner,

v.

AMERICAN EXPANSION BOLT AND MANUFACTURING COMPANY,

Respondent.

BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

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BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

To the Honorable Chief Justice and Associate Justices of the Supreme Court of the United States:

Your Respondent, American Expansion Bolt and Manufacturing Company, respectfully points out that the petition for writ of certiorari should be denied, for the reason that no special or controversial question of law is pre-

sented, and for the reason that all of the matters set forth in Petitioner's brief were duly presented and fully considered and decided by the Court of Appeals for the Seventh Circuit in complete conformity with the law as announced by the decisions of this Court.

Official Report of Opinions.

The report of the Master finding the more important issues in favor of respondent is found on page 399 of the record. The District Court (Judge Igoe) filed no opinion other than the findings of fact submitted by petitioner's attorneys (R. 421), and assigned no reasons for overruling the Master's findings on the most important issues.

The opinion of the Court of Appeals, reversing the District Court and vacating the judgment and dismissing the complaint, is found on page 511 of the record and is reported in 124 Fed. (2) 706.

Jurisdictional Grounds.

Respondent does not challenge the jurisdictional grounds set forth on page 4 of the petition.

Concise Statement of the Case.

The decision of the Court of Appeals is based upon the ground that the complaint does not set forth nor do the proofs establish a suit for *unfair competition* according to the ruling of the Illinois Courts, which define such a suit as one involving the *palming off of defendant's product as and for the product of the plaintiff*, and hold that unless the facts conform strictly with this definition the *suit must fail*. Petitioner nowhere asserts that the present suit conforms to the above definition.

The principal charge to which all others are ancillary or incidental is that respondent has misappropriated petitioner's business system, which is merely a euphonious way of stating that the respondent is selling printing plates exactly conformable to the petitioner's *expired patents* for use on Addressograph machines of petitioner's manufacture and is inducing petitioner's customers to buy plates at a reduced price and in an open market. There is no charge that respondent has ever palmed off its own plates as and for the product of the petitioner, but on the contrary petitioner asserts that respondent has made extravagant and unwarranted claims regarding the quality of its own plates and has asserted that petitioner was charging monopolistic prices for its product.

The subordinate or incidental charges were summarized by the Master as follows (R. 400):

II. Distribution of inferior products to the injury of plaintiff's good will.

III. Palming off *plaintiff's* plates as *defendant's* plates. (Note: Not the conventional charge of palming off.)

IV. Misrepresentation of origin and quality of defendant's plates.

V. Improper acquisition of information concerning plaintiff's customers, methods of doing business, and method of manufacture.

VI. Defamation of plaintiff's business by falsely representing to customers (a) that plaintiff's agents had maliciously tampered with and sabotaged machines of customers who were using plates manufactured by the defendant, and (b) that plaintiff is monopolistic.

The dominating charge is that respondent has misappropriated petitioner's business by selling its own plates for use on Addressograph machines. All of these sales were *consummated* in Illinois, and the main transaction was thus *completed* in that state; and since no Federal question is involved the rule of this Court announced in *Erie Railroad Company* v. *Tompkins*, 304 U. S. 64, 78, has full application. All of the remaining grounds of complaint, which were treated by the Court of Appeals as "merely incidental to the main charge" and as at most "acts of aggravation to the main charge" are obviously acts designed to *promote* and *increase* the sale *in Illinois* of respondent's plates, or in furtherance of the so-called plan for misappropriating petitioner's business.

Thus the Court of Appeals correctly held that the essential transactions were carried on and consummated wholly within the State of Illinois, and that a Federal Court sitting in that state was obligated to apply the Illinois law respecting suits for unfair competition.

NOTE: Italics throughout are ours.

ARGUMENT.

Petitioner's Assertion that Diverse State Laws Apply.

It is urged by petitioner that the present case, involving the use by its customers of respondent's plates shipped into various States of the Union, constitutes an exception to the rule laid down in *Erie* v. *Tompkins,* 304 U. S. 64, but alternatively, if the rule is to be applied, the laws of each of the states within which respondent's plates were *used* must be examined to determine the local definition of a suit for unfair competition. Both of these arguments were rightfully rejected by the Court of Appeals.

Erie v. *Tompkins,* 304 U. S. 64, 78, expressly states on Constitutional grounds that "except in matters governed by the Federal Constitution or by acts of Congress, the law to be applied in any case is the law of the state." This Court in a decision handed down March 30, 1942 in the case of *Pecheur Lozenge Co.* v. *National Candy Co.,* 86 L. Ed. 739 stated that "The only cause of action that this record could possibly support is for *unfair competition* and common law 'trade mark infringement' to which *local law applies.*"

Such being the case, the Court of Appeals took cognizance of the law of unfair competition as defined and applied by the Illinois Court in *Stevens-Davis Co.* v. *Mather & Co.,* 230 Ill. App. 45. In this connection, the Court of Appeals said:

"Confronted wtih this situation, no good purpose could be served in analyzing the many Federal cases relied upon by plaintiff in support of the decree. This is so for the reason that the law of unfair competition, as announced in Illinois, must be applied. In *Stevens-Davis Co.* v. *Mather & Co.*, 230 Ill. App. 45, in an exhaustive opinion where the issues were quite similar to those of the instant case, that court, after an extensive review of the authorities, 230 Ill. App. on page 65, said 'The courts in this State do not treat the "palming off" doctrine as merely the designation of a typical class of cases of unfair competition, but they announce it as the rule of law itself—the test by which it is determined, whether a given state of facts constitutes unfair competition as a matter of law. * * * The "palming off" rule is expressed in a positive, concrete form which will not admit of "broadening" or "widening" by any proper judicial process. It is rigid and inelastic.' "

The Court then pointed out that the plaintiff relied heavily upon *International News Service* v. *Associated Press*, 248 U. S. 215, which constitutes the basis for the so-called theory of unfair competition by *misappropriation* of plaintiff's business system, and followed with the statement "That identical theory was presented and rejected in the *Stevens-Davis* case and the *International News Service* case was referred to. * * * In other words, the *Stevens-Davis* case, repudiates the precise theory on which plaintiff attempts to sustain the decree in the instant case. * * *"

The Stevens-Davis Case.

In view of the importance of the *Stevens-Davis* case, we think it proper to refer to it briefly, although the exhaustive opinion runs through some eighty pages of printed matter. The bill in that case, as in the present suit, charged numerous acts which were regarded as of-

fensive by the plaintiff. Among others may be mentioned, slander or libel, the misuse of testimonial letters, the surreptitious acquiring of secret information, the enticing of employees, and the use of fictitious or extravagant advertising. Twenty-two specific wrongful acts were asserted by the plaintiff, including certain acts which the Court regarded as coming within the palming off rule. The Court, therefore, first directed its attention to the necessity for *segregating* the evidence and excluding from consideration all matters which were not closely related to the charge of palming off, and after an exhaustive review of the evidence relating to *relevant* matters, the Court dismissed the bill *in toto*. In adopting this course of procedure, the Court, on page 69, made the very cogent statement which has complete application to the case here presented:

> "In reviewing the facts, if the rule of law, namely, the 'palming off' rule, and the rule as to the degree of proof, which rule requires appellee's right to be clearly established by the evidence, are not kept constantly in mind, one is apt to get into *inextricable difficulties.*"

Petitioner is here asking the Court to adopt a rule of interpretation and to remand the case for the taking of further evidence regarding the laws of the various states, which will most certainly be productive of "inextricable difficulties," and which will moreover completely vitiate the force and effect of this Court's rule in *Erie* v. *Tompkins*, and the Illinois Court's ruling in *Stevens* v. *Mather*.

Additional excerpts from the *Stevens-Mather* case are the following (page 65):

> "We are of the opinion from our examination of the authorities, that the 'palming off' doctrine has been followed by both the state and federal courts in an almost unbroken line of decisions, as a rule of

law, and that the courts of this state also deem it to be a rule of law. If it is not the rule of decision by which the facts may be tested, what is the general rule that has supplanted it? We are unable to discover any other general rule; and it is not within the jurisdiction of this court to formulate a rule of decision. Each case is not to be left to the discretion of the court to be decided according to the court's idea of justice and right. The 'palming off' rule is expressed in a positive concrete form which will not admit of 'broadening' or 'widening' by any proper judicial process. It is rigid and inelastic."

Having reference to the case *International News Service* v. *Associated Press*, 248 U. S. 215, the Court said (page 66):

"The decision of the Supreme Court of the United States, although entitled to the deference which is due to so distinguished a tribunal, is not a rule of decision that must be followed by a State court in the class of cases in question."

With regard to the alleged improper use of trade secrets, the Court said (page 72):

"If appellee was entitled to equitable relief in this respect it would be based on *another ground than unfair competition*. The acts of appellants obviously do not come within the 'palming off' rule and that is the test that we have adopted as the rule of law in the case at bar."

With regard to the enticing of employees, the Court said (page 73):

"It is also contended that employees of appellants attempted to entice away salesmen of appellee who were attending the convention. In our opinion *none of these acts* constitutes unfair competition."

With regard to the copying or plaguarizing of plaintiff's booklets, the Court said (page 84):

> "In this situation, even if they were bodily appropriated by appellants, no legal wrong would be committed which could be redressed *in this proceeding.*"

With regard to the alleged fraudulent use of testimonial letters, the Court said (page 90):

> "* * * we do not deem it necessary to dwell at length on the question, as in our judgment the conduct of appellants *did not constitute unfair competition.*"

As indicative of the manner in which the Court segregated the various transactions, we refer to the following quotation (page 92):

> "Counsel for appellee maintain that in several specific instances the salesmen of appellants sold appellants' cards as those of appellee. If that is true, such acts come within the rule of unfair competition. We shall examine the facts relating to these transactions."

With regard to extravagant advertising, the Court said (page 97):

> "It is fictitious praise or 'puffing' of appellants' card service; but it is not a 'palming off' or an attempt to 'palm off' appellants' card service for that of appellee."

With regard to certain statements that the defendant's salesman had made, the Court said (page 111):

> "Furthermore, even if Warner had made the statement, it would not have been unfair competition but a *trade slander* for which *an action at law* could have been maintained."

Fortunately, in the present situation it is not necessary for the Court to segregate between acts which properly

come within the Illinois rule since the petitioner nowhere attempts to prove that the defendant has sought to palm off its goods as and for the product of the plaintiff. The Court of Appeals as a matter of *fact* stated:

> "We do not understand there is any contention that the proof discloses a conventional charge of 'palming off'. The proof relative thereto, and any contention arising therefrom, must be viewed in the light that it was incidental to the main charge of unfair competition with plaintiff's business system."

The above ruling follows the finding of the Master, who stated on page 403:

> "In the case at bar, defendant's general course of business did *not* involve misappropriation or passing off. On the contrary, defendant took particular pains to point out that though its plates were as good as those of plaintiff, they were being sold at a lower price. Certainly there can be no possibility of pointing to the existence of any passing off. None of the orthodox elements of unfair competition nor any of the allegedly unusual features of the *International News Service* case are here present. The American Expansion Bolt & Manufacturing Company, unlike the International News Service, has in no way appropriated plaintiff's *property* in order to sell it to customers who have never paid anything to plaintiff * * *"

In the light of the above findings of fact, it is clearly apparent that the Illinois rule as announced in the *Stevens-Davis-Mather* case has full application to *every branch* of the present proceeding, and this Court's decision in *Erie* v. *Tompkins* makes it obligatory on the Federal Courts to apply the Illinois rule and dismiss the complaint *in toto*.

The Rule in Erie v. Tompkins Applies.

Erie v. *Tompkins* makes no exception respecting the rights of litigants merely because the business in question extends into various states of the Union. The decision is based on constitutional grounds for the purpose of protecting the citizens of each state against judicial encroachment by Federal Courts upon rights reserved under state laws. The mere fact that certain of the acts in a continuing transaction occur in a distant state affords no ground for the deprivation of rights assured under local law and judicial procedure despite the fact, as asserted by counsel, that in certain instances confusion may arise by reason of the conflict of laws in the different states.

The primary objective is to assure an equal administration of justice by State and Federal Courts of concurrent jurisdiction located in the state where the principal controversy arises. This point of view is expressly set forth by this Court in the recent case of *Klaxon Company* v. *Stentor Electric Mfg. Co.*, 313 U. S. 487. In considering the conflict of laws rule, this Court said:

> "Otherwise the accident of diversity of citizenship would constantly disturb equal *administration of justice* in co-ordinate state and federal courts sitting *side by side*. See *Erie* v. *Tompkins*, *supra*, at 74-77. Any other ruling would do violence to the principle of uniformity within a state upon which the Tompkins decision is based. Whatever *lack of uniformity* this may produce between federal courts in different states is attributable to our federal system, which leaves to a state, within the limits permitted by the Constitution, the right to *pursue local policies* diverging from those of its neighbors. It is not for the federal courts to *thwart* such local policies by enforcing an independent 'general law' of conflict of laws."

The Court might have said with equal propriety that it is *not* for the Federal Court of Illinois to *thwart* the local policy respecting suits for unfair competition by enforcing an independent "general law" of unfair competition. This, however, is precisely what the petitioner is seeking to accomplish in the present instance.

In counsel's attempt to prove that the present case is not within the rule in *Erie* v. *Tompkins*, it is asserted that "respondent's conduct involved a series of successive and continuous tortuous acts, resulting in many injuries in the many states wherein petitioner's customers reside." Without admitting that the above statement is in any manner relevant to the question, its fundamental fallacy, as regards the present issues, lies in the fact that under the Illinois law the "tortuous" acts referred to are not *germane* to a charge of unfair competition and since petitioner's main charge fails in Illinois the entire foundation for a suit of that character must fail. The fact that certain of the acts *complained of* may have transpired in distant states is of no consequence, since the Federal Court must follow the local ruling respecting the matters germane to the case and must also conform the remedy to the requirements of the local practice.

Counsel refers to the case of *Illinois Central Railroad Co.* v. *Moore*, 112 Fed. (2) 959, in support of its ill-founded contention that an unfair competition case charging transactions in various states must be regarded as an exception to the rule. The railroad case however was held to involve a *Federal* question. This was a case arising under a contract of employment and the Court on page 963 said:

> "Its subject matter, the relationship of a railroad with its employees is well within the commerce power

> of Congress and has for fifty years been a subject of federal legislation. The very matter of collective agreements was taken over and extensively regulated and remedies for disputes provided by the Railway Labor Act of 1926."

Chase National Bank v. *Mobile & Ohio R. Co.*, 30 Fed. Sup. 565, cited by counsel, was a case involving the allowance of claims against a receiver growing out of personal injury to employees which claims had been paid *after judgment* by the bonding company.

This case involved numerous Federal questions and was based on the provisions of Section 77 of the Bankrupt Act which provided that claims arising under the Federal or State laws "shall be preferred and paid out of the assets of such railroad corporation as operating expenses of such railroads." The Court said "Congress of course knew of the *six months rule* as applied to such equity receiverships and passed this Act to make definite the right to be paid out of the earnings of the railroads."

The Court decided that the rule requiring that the claim must have accrued within six months prior to the receivership was applicable to the Congressional enactment and the suit being against a railroad which ran through five states, ruled that the law of the state where the injury occurred was not applicable. In short the remedy sought was that provided by the Federal Bankrupt Act in satisfying an existing judgment from which it would appear to be unnecessary to investigate the law invoked in securing the judgment. The Court also said:

> "How is the court to determine what portion of the earnings of the road was realized in each state or what portions of the cost of operations was incurred in such state. Only a little thought is necessary to show

> what a confusion worse confounded we would have. * * * I do not think that either Section 34 or what is said in *Erie R. Co.* v. *Tompkins* are *applicable* to the questions to be decided by me."

Surely the above decision affords no basis for counsel's arguments but on the contrary emphasizes the necessity for a strict adherence to the system of laws applicable to the controlling issues to prevent "confusion worse confounded."

This is not the first time since *Erie* v. *Tompkins* that a Federal Court has applied the local rule respecting trade rights and remedies in a case where the respective products were in competition throughout a multiplicity of states. In the recent case of *Mishawaka Rubber & Woolen Mfg. Co.* v. *S. S. Kresge Co.*, 119 Fed. (2) 316 (June 9, 1941), the Court of Appeals for the Sixth Circuit applied the rule in *Erie-Tompkins* to a suit charging unfair competition and trade-mark infringement, and held expressly that the Federal Court is bound to recognize substantive rights in trade-marks as *defined by the law of Michigan*. On page 321, the Court said:

> "Appellant's shoe heels have been sold *throughout the United States* always as a part of its shoes, never separately. Appellee the S. S. Kresge Company operates and maintains a large number of retail stores *throughout the United States* where it sells detached rubber heels," etc.

Despite the overriding of state lines by both parties, the Court on page 322 said:

> "Whatever substantive rights appellant may have had in the premises arise under *local law* and are within the scope of *Erie Railroad Company* v. *Tompkins* * * * The rule prevails in Michigan that an account

of profits will not be taken where the wrongful use of a trade-mark or trade-name has been merely accidental or without any actual or wrongful intent to defraud the original owner or to deceive the public."

The Court thus restricted the plaintiff's rights and remedies in conformity with local procedure, which is exactly what the Court of Appeals for the Seventh Circuit has done in similar circumstances, despite the fact that some of the goods complained of were sold into and distributed and used in states distant from the local forum.

Locus of Actions Complained Of.

As pointed out by the Court of Appeals:

"The essential element of this alleged wrong (misappropriation) was the manufacture and sale by the defendant of plates for the purpose of use in certain machines manufactured and sold by the plaintiff. Defendant's place of business was in Illinois where it received and filled orders for such plates. The wrong, if such it be, was the *sale in Illinois* for the use indicated. In our judgment there is no merit in plaintiff's argument that no wrong was committed, until the plates were actually *used* in a foreign state."

Although the dominating act was that of "misappropriation of plaintiff's business" by the *sale* of plates for use on Addressograph machines, counsel asserts, without any justification, that the wrong was not consummated until the plates were actually used, and counsel has repeatedly asserted without qualification or reservation that "The respondent manufactured its products in Illinois, which products were thereafter sold to persons in other states." (Plaintiff's brief, page 19).

Counsel, on page 20, states:

"Since the place that petitioner received its injury was in states other than Illinois, the Court of Appeals clearly was in error," etc.

Throughout the brief there appears to be a studious effort to convey the impression that *none* of respondent's plates were actually *used* in Illinois, and that in no case (according to Counsel's definition) were the transactions consummated in that state. If such be the inference, it is clearly belied by the testimony which indicates that in certain instances large numbers of plates were actually *used* in Illinois.

We have the testimony of A. H. Anderson (Rec. 308) that he was in charge of the Addressograph Department of the Bunting Publications located at North Chicago, which is in Illinois; that this concern had a mailing list of about 250,000; that it used a number of Addressograph machines and Graphotypes; that his department had used plates furnished by both the Addressograph company and American Expansion Bolt & Mfg. Co.; that it used the latter plates for four or five years; that his company had used no Addressograph Co. plates for the preceding two or three years; that he had never been able to notice any difference in the two plates and that his company had never registered any complaints with respondent on account of the character or quality of the plates. The above is an instance where the plates were *manufactured, sold* and *used all within the State of Illinois.*

Another instance of like character is that of plates furnished by respondents to American Power and Light Company, of Chicago, Illinois. The facts regarding this trans-

action were set forth in the testimony of J. Warren Isett, on page 325 of the record. These plates were used locally and complaint was registered regarding their quality. Four thousand plates of a shipment of five thousand had previously been embossed satisfactorily on the Graphotype machines. Investigation showed that the defect was due to broken plate supports on two of the Addressograph Co.'s machines, that petitioner's repairman had adjusted the machines on the previous day, and that the trouble started a *few hours* after his visit. The facts learned by Mr. Isett during this interview developed in him a *well founded belief* that the machines had been purposely tampered with by the repairman for the purpose of discrediting respondent's plates, and furnished a foundation for future warning statements made by respondent to other customers, which constitute the basis for the libel charges. After the interview in question, respondent "made subsequent sales and are selling them to this day." (Rec. page 329).

Certainly, in the light of the testimony, counsel should have called the Court's attention to the fact that *some* of these transactions were *completely consummated* in Illinois, so that *all* the factors involved were of local occurrence.

Minor Charges of Misconduct.

With respect to the minor charges of misconduct, petitioner's petition is peculiar and untenable. Counsel contends that these minor charges are amenable to the varying laws of a multitude of different states where individual shipments of respondents plates were *used* or where the so-called "false statements and libelous utterances were published." The above assertion however certainly cannot apply to the supposed "acquisition of information concerning plaintiff's customers, methods of doing business, and method of manufacture," all of which transactions

occurred locally in Illinois. Nor need any individual case of alleged libel necessarily be consummated in the same state where the recipient of the "libelous" statement *used* the plates. According to petitioner's theory therefore *each transaction* regardless of the parties involved, the nature of the wrong committed or the remedy (whether at law or in equity) afforded, must be analyzed independently and segregated and redressed according to the local law of the state where each wrong was *consummated* and the measure of relief to be granted in a single suit in equity must be apportioned to all these diverse and often incompatible factors. The mere prospect of such disruption of the orderly administration of justice should make the Court astute in seeking to discover the fallacy in any theory which makes it possible.

Happily the Court of Appeals adopted the only sensible view of the situation here presented and held that "the wrong, if such it be, was the sale in Illinois for the use indicated," and that "the other alleged offences such as libel and misrepresentation were merely incidental to the main charge" and were at most "acts of aggravation to the main charge. When the main charge fails, those incidental thereto must also fail."

Petitioner's Effort to Promote Confusion.

Counsel in attempting to formulate a basis for the granting of the present writ occupies an absurd position. On page 15 counsel points out the difficulties and complications attending the application of the *Erie-Tompkins* rule to cases of unfair competition due to the diversity of laws of the various states into which the offending goods are introduced and *palmed off*. On page 26 however, counsel petitions this Court to remand the case to

permit additional testimony to be adduced so that the present case may be thrown into the condition of complexity and confusion which counsel deplores.

Fortunately no occasion is here presented for examining the laws of states other than Illinois since this is *not a case of palming off* in which it might perhaps be urged that a separate offense occurred in each state where *customers were deceived.* No deception is here charged since the act of "misappropriation" occurred in Illinois when the goods were sold and not thereafter when they were used.

Moreover counsel's assertions that the misappropriation did not occur until the goods were *used* in a distant state is belied by the averments of the bill of complaint itself which on page 5 of the record states: "The plates are designed to be used in addressing machines manufactured by the plaintiff and for *no other purpose*, and in truth and in fact said plates have *no other commercial use* or value except as above stated."

Every sale made by the respondent therefore is asserted to be a "misappropriation" of petitioner's business and a deprivation of its right to a monopoly in such sales and undoubtedly in the event of an accounting petitioner would claim damages on the basis of a sale lost for every sale made by the respondent regardless of where the plates were used.

Acts Main and Incidental. A Dilemma.

Petitioner asserts that each act of alleged unfair competition must be treated *independently* and redressed according to the laws of the state where it was consummated regardless of the fact that the bill of complaint

purports to present a charge of *unfair competition* and prays relief appropriate to such a charge. The present suit however must fail because under the Illinois law independent charges not closely related to a dominating charge of *palming off* will be *excluded from consideration.*

In *Davis* v. *Mather,* on p. 60, the Court said:

> "If in accordance with their theory of the case they had indicated what acts of appellants in their opinion constitute unfair competition the other alleged wrongful acts *could be eliminated* from consideration as substantive independent instances of unfair competition and could be considered, if relevant, *merely in aggravation* of unfair competition."

On page 69 the Court said:

> "In this inquiry we are not concerned with unethical or wrongful acts generally but our attention must be directed solely to such wrongful acts as come within the rule of unfair competition. We are not condoning unethical conduct merely because we may be of the opinion that such conduct does not, as a matter of *law* constitute unfair competition. The different classes of wrongs must be distinguished in order that it may be determined whether the remedy should be by law or equity. The remedy by equity is *more drastic* and of broader scope."

In short the Court refused to deprive the defendant of its legal rights to a proper trial of unrelated issues by permitting the plaintiff to bunch together all of its multiform grievances into a single short cut proceeding labeled a suit for "unfair competition" and to demand relief in equity for offences against which it was entitled only to a legal remedy in conformity with accepted practice.

Petitioner thus finds itself enmeshed in a fatal dilemma. On the one hand if the minor acts complained of are to

be regarded as *incidental* to the main charge of "misappropriation" they must fail with the failure of the main charge. On the other hand if these minor acts are *independent* of the main charge they *will not be considered* by a Court which is bound to follow the Illinois law. The Court of Appeals was obviously right in its conclusion that "not only was the decree appealed from erroneously entered, but * * * plaintiff's bill of complaint failed to state a cause of action."

Respectfully submitted,

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